

Civil Service Retirement Fund Deficit Report for Fiscal Year 2005
(\$ in millions)

<u>FY</u>	<u>Beginning Supplemental Liability</u>	<u>Adjustments</u>	<u>Payment</u>	<u>Expense</u>	<u>Principal</u>	<u>Interest</u>	<u>Ending Supplemental Liability</u>
2005	\$ 3,479	\$ 789	\$ 290	\$ 290	\$ 27	\$ 263	\$ 4,241



United States
**Office of
Personnel Management**

Washington, DC 20415-0001

In Reply Refer To: **SEP 27 2005** Your Reference:

Mr. Richard J. Strasser, Jr.
Chief Financial Officer
Executive Vice President
United States Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260-5000

Dear Mr. Strasser:

As you know, the law requires the United States Postal Service (USPS) to make payments to the Civil Service Retirement and Disability Fund (CSRDF) for officers and career employees covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). This letter transmits the payment due for fiscal year 2005.

Under the Postal Civil Service Retirement Funding Reform Act of 2003, Pub. Law No. 108-18, 117 Stat. 624 (April 23, 2003), Section 2(c), the Office of Personnel Management (OPM) is required to determine the Postal supplemental liability as of September 30, 2004, and to establish an amortization schedule, including a series of equal annual installments commencing September 30, 2005, which provides for the liquidation of such liability by September 30, 2043. The USPS is required to pay the amount as determined by OPM, with payments due not later than the date determined by the OPM.

The Postal Service payment for September 30, 2005 is \$290 million. This is the first installment of a 39 year payment starting on Sept 30, 2005, to amortize a supplemental liability of \$4.2 billion as of September 30, 2004, as required under P.L. 108-18. The supplemental liability of \$4.2 billion is equal to the present value of future benefits payable to Postal employees and annuitants that are the responsibility of the Postal Service amounting to \$195.0 billion, less the present value of future normal cost contributions of 25% of pay to be made by the Postal employees and the Postal Service amounting to \$14.1 billion, and less the value of the assets attributable to the Postal Service of \$176.7 billion.

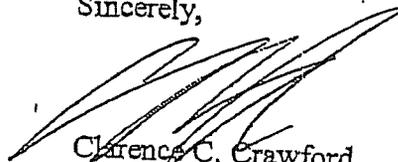
Also Section 8423(b) of Title 5, U.S.C. provides that any supplemental liability under the FERS as of the close of each fiscal year beginning after September 30, 1987, with respect to current and former employees of the USPS, shall be amortized in 30 equal annual installments, with interest computed at the rate used in the most recent valuation of FERS.

However, the net assets attributable to the USPS as of September 30, 1994, exceeded the actuarial accrued liability attributable to Postal employees as of this date. Because of this, and based on a decision reached by the Board of Actuaries of the Civil Service Retirement

System at a meeting held on June 29, 1994, we have decided to terminate the 30-year payment on the initial supplemental liability as of September 30, 1988. There are no payments due under Section 8423(b) as of September 30, 2005.

The total amount due on September 30, 2005, is \$290,000,000. The total amount due should be transferred to the Funds via IPAC and credited on September 30, 2005. Questions concerning the calculations should be directed to Michael Virga on 202-606-0722. Your staff can obtain instructions on the IPAC transfer from Cynthia Baltimore on 202-606-4275.

Sincerely,

A handwritten signature in black ink, appearing to read 'Clarence C. Crawford', written over a horizontal line.

Clarence C. Crawford
Chief Financial Officer